



## OVERVIEW

June 2015

Global stock markets ended lower in June 2015 as a result of Greece's looming debt defaults and potential exit from the eurozone. Although the FTSE All World Index closed at 279.5, down -2.30% month-on-month, it gained 3.13% in the first half of 2015. The S&P 500 closed up 1.23% year-to-date despite a -1.94% decline in June. The Dow Jones Industrial Average, meanwhile, declined -2.06% in June, erasing all its gains and ending flat for the first half of 2015. In addition to Greece's concerns, weakening currency impacted stocks in the ASEAN region, namely Indonesia and Malaysia. The Dow Jones ASEAN Islamic Total Return Index (MYR-denominated) closed -0.34% lower month-on-month while gaining 2.37% since the beginning of 2015.



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## Malaysia

Fitch Ratings maintained Malaysia's credit rating at "A-" and revised the outlook from negative to stable despite signalling a downgrade earlier this year. This news boosted investor sentiment that was previously weak on concern that Malaysia could be downgraded for the first time since the Asian Financial Crisis. In ringgit terms, foreign reserves stood at MYR390.2 billion, sufficient to finance 8.1 months of retained imports and equal to 1.1 times the short-term external debt. The trade surplus came in at MYR5.5 billion for the month of May, a decline of -2.3% year-on-year and down -19.7% from the previous month. Consumer prices rose 0.3% in May, bringing headline inflation rate to 2.1%. Foreign equity market investors were again net sellers in the month of June, offloading MYR 3.1 billion worth of equities in the open market, resulting in a MYR8.7 billion cumulative 2015 net foreign outflow. This exceeds the entire 2014 net sell position of MYR6.6 billion and is mainly attributed to the fear of a potential credit rating downgrade. In line with the heavy foreign selling, FBM KLCI ended June at 1706.6 points, -2.16% lower month-on-month and -1.69% lower for the first six months of 2015.

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## Indonesia

Infrastructure development that was touted to be driving growth in Indonesia continues to face delays so far this year. The government implemented a revised regulation effective July on the luxury value-added tax. Meanwhile, tax on imported goods will increase to 10% from the current 7.5% to spur competitiveness and investment by domestic producers. Finance minister Bambang Brodjonegoro believes it will boost GDP growth by 0.09% and add 0.04% to inflation. On the economic front, exports and imports contracted in May by -15% and -21%, respectively. Net-net, the trade account recorded another surplus of US\$955 million, against a surplus of US\$454

Market Indicators	Current Value	1 Month	YTD	1 Year
FBM EMAS Shariah (RM)	12,209	-2.61% ▼	-1.11% ▼	-6.27% ▼
FBM KLCI (RM)	1,707	-2.16% ▼	-1.69% ▼	-6.50% ▼
S&P 500 (US\$)	3,816	-1.94% ▼	1.23% ▲	7.42% ▲
Dow Jones Industrial Average (US\$)	17,620	-2.06% ▼	0.03% ▲	7.21% ▲
FTSE All World (US\$)	280	-2.30% ▼	3.13% ▲	1.45% ▲
MSCI All Country World Index (US\$)	424	-2.31% ▼	2.98% ▲	1.31% ▲
MSCI Emerging Markets (US\$)	413	-2.60% ▼	2.95% ▲	-5.13% ▼
Dow Jones ASEAN Islamic (RM)	8,317	-0.34% ▼	2.37% ▲	4.85% ▲
Jakarta Composite Index (RM)	4,911	-4.38% ▼	-5.06% ▼	-8.76% ▼
Philippine Stock Exchange Index (RM)	7,565	1.10% ▲	12.38% ▲	9.01% ▲
Straits Times Index (RM)	3,317	0.29% ▲	5.28% ▲	-2.74% ▼
Stock Exchange of Thailand (RM)	1,505	2.75% ▲	6.65% ▲	0.16% ▲

	Current	1 Month Ago	1 Year Ago
Ringgit per US\$	3.77	3.67	3.21
Crude oil (US\$)	\$59.47	\$60.30	\$105.37
Crude palm oil (RM)	RM 2,224	RM 2,170	RM 2,448

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million recorded a month ago. June recorded 7.3% inflation, again above the central bank's optimistic target of 4%. The Jakarta Composite Index closed at 4910.7 points as of 30 June, -5.67% lower in local currency and -4.38% in ringgit terms. Year-to-date, the index is down -4.60% in local currency and -5.06% in ringgit terms.

## Philippines

After reporting weak first quarter GDP numbers in May, President Aquino issued an administrative order to fast-track spending as infrastructure spending declined -11% year-over-year to PHP68.5 billion in the first quarter of 2015. Exports declined -4.1% year-on-year in April, compared to 2.1% growth in March, as exports of non-electronic machinery and transport equipment declined. Imports, meanwhile, were -12.8% lower year-on-year as low oil prices continue to favor the Philippines as a net oil importer. Heavy foreign selling pushed the Philippine Stock Exchange Index below the 7400 level for the first time since January, but the market regained strength towards the end of the month. Foreign investors were net US\$262 million sellers of equity. The Philippine Stock Exchange Index gained 5.86% in local currency and 12.38% in ringgit terms making it the best performing ASEAN region equity market for the first half of 2015.

## Singapore

June PMI numbers brought fresh optimism to Singapore's economy. The manufacturing PMI rose to 50.4 from 50.2, the highest since November 2014, as the electronics sector returned to growth. Industrial production declined only -2.3% year-on-year in May, against a decline of -8.7% in April, given the slight bounce in pharmaceutical output. The Strait Times Index ended June at 3317.3 points, -2.20% lower in local currency, but 0.29% higher in ringgit terms.

## Thailand

Domestic demand indicators did not improve much in Thailand. Manufacturing activity remains in contraction for the month of May, down -7.6% against a decline of -5.3% in April, largely reflecting the weakness in the auto and electronics

sector. Thailand, however, recorded a trade surplus of US\$2.42 billion in May as compared to a US\$523 million deficit a month earlier. Consumer confidence slipped to 74.4 in June from 75.6 in May and is at a 12-month low. Foreign investors turned to net sellers of US\$311 million of equity after three consecutive months of buying. The Stock Exchange of Thailand Index, however, ended June at 1504.6 points, up 0.58% in local currency and 2.75% in ringgit terms. For the first half of the year, the index gained 2.36% in local currency and 6.65% in ringgit terms, making it the second best performing equity market in the ASEAN region.

## COMPANY REVIEW

Jollibee (JFC PM) said it would go slow in the establishment of its Dunkin' Donuts franchise in China. It plans to compete head-on with other global brands, such as Starbucks and Costa Coffee. Currently there are 16 Dunkin Donuts stores in China, and Jollibee aims to add three to five stores each year.

Indonesia's biggest fashion retailer, Matahari Department Store (LPPF IJ), has opened its 139th outlet in Mataram, West Nusa Tenggara, as the company continues to expand its outlets across the archipelago. The new outlet covers 7,200 square meters in Lombok Epicentrum Mall, Mataram. Matahari was established 56 years ago and currently operates 139 stores in 66 cities in Indonesia.

## PORTFOLIO TACTICS

Equity markets across the board lacked excitement in June as investors worried about Greece's potential exit from the eurozone. We believe the Malaysian ringgit should stabilize at current levels. Not only did Malaysia escape a credit rating downgrade, the ringgit is trading higher than during the previous global financial crisis. We continue to be selective in picking stocks, focusing on companies that have solid and long-term growth profiles, such as Consumers (e.g., Universal Robina and Jollibee Foods), Health Care (e.g., Bangkok Dusit and KPJ), Building Materials (e.g., Indocement), and Telcos (e.g., Advanced Info Service).

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